



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH

LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JANET OLSZEWSKI
DIRECTOR

May 2005

School Based Services Providers:

A letter was issued in January 2005 (L 05-02) to advise you that the Centers for Medicare and Medicaid Services (CMS) has mandated that Michigan establish a new reimbursement methodology for the Medicaid Fee For Service (FFS) side of the School Based Services Program. The current reimbursement rates, implemented in 1993, were originally based on statewide average costs. The new reimbursement methodology must reflect service rates that are cost-based, provider specific and annually reconciled. CMS has provided models of two states, Illinois and Tennessee, that have CMS approved methodologies. Public Consulting Group (PCG) was instrumental in the rate methodology process in both of these states.

CMS expects Michigan to demonstrate documented progress toward developing a new methodology by October 2005. Our goal is to complete a draft proposed methodology by October 1st to submit to the CMS for their review and approval. This work will be accomplished through the collaborative efforts of the FFS Rate Methodology Workgroup. The group is comprised of representatives appointed from various Intermediate School Districts (ISDs), Michigan Department of Education (MDE), Michigan Department of Community Health (MDCH) and the Centers for Medicare and Medicaid Services (CMS).

The Workgroup has met several times to gather information and clarify program expectations. Due to the limited time frame and the possibility of federal payment deferrals, MDCH and the Workgroup accepted a written proposal submitted by PCG to provide technical assistance and support for the development of the new methodology similar to the work they performed for Illinois and Tennessee.

The cost of the 12-month PCG fee for service contract is eligible for 50% federal matching funds. The ISDs and MDCH will share the net cost on the usual 60/40 basis. The Michigan Department of Management and Budget is processing this contract as an amendment to the PCG Administrative Outreach Program contract. As a result, the Outreach contract will be extended for 12 months and will not be re-bid this year. MDCH is finalizing the 12-month extension with PCG, and providers can expect reduced rates for Outreach contract services during this period. The complete details of the project, the provider costs and billing information are attached.

Please forward a copy of this information to your LEAs. We appreciate the continued cooperation of all our SBS Program partners as we proceed with the development of the new methodology that will allow us to continue to bring funding to all special education programs in the State of Michigan.

If you have any further questions or concerns, please contact Linda Sowle at 517-241-8398 or by e-mail at sowle@michigan.gov.

Sincerely,

Paul Reinhart, Director
Medical Services Administration

attachment

Fee For Service (FFS) Rate Methodology Workgroup

The FFS Workgroup is currently scheduled to meet monthly. Workgroup meeting dates for 2005 are May 24, June 28, July 26, August 16, September 20, October 18, and November 22.

Workgroup meeting dates, periodic updates and the workgroup member roster will be posted on the MDCH web page at <http://michigan.gov/mdch>, "Provider", "Information for Medicaid Providers", "Provider Specific Information", "School Based Services", "Fee For Service Rate Methodology Workgroup".

Medical Services Administration welcomes input from the ISDs and/or school staff. A direct e-mail link will be placed on the above-mentioned website and will allow any comments and/or requested agenda items to be delivered directly to MSA School Based Services staff. Any issues raised will be addressed at the next scheduled monthly workgroup meeting.

Also, please provide (via the e-mail link) the name of the ISD staff person who will be the designated contact for the SBS Fee For Service Program.

FFS Rate Methodology Workgroup members:

| | |
|--|--------------------------|
| Kathy Boak (MDCH) | Kathy Merry (Wayne) |
| Lynn Borck (Lapeer) | Pam O'Farrell (MDCH) |
| John Bretschneider (Wexford-Missaukee) | Liz Patrick (Ingham) |
| Michael DeVault (Macomb) | Susan Powell (Oakland) |
| Bruce Elkins (Detroit) | Robert Readler (Oakland) |
| James Feil (Traverse Bay) | Jane Reagan (MDE) |
| Bud Ferguson (Ottawa) | Paul Reinhart (MDCH) |
| Linda Garvin (Oakland) | Frank Schwartz (Kent) |
| Steve Fitton (MDCH) | Jeff Siegel (Berrien) |
| Jan Frederick (St. Clair) | John Shaughnessy (PCG) |
| Julie Greenway (CMS) | Michelle Simmons (PCG) |
| Toni Hornberger (MDCH) | Carol Sink (Berrien) |
| Sean Huse (PCG) | Linda Sowle (MDCH) |
| Ed Kemp (MDCH) | Dave Stirdivant (MDCH) |
| Terry Latimer (Macomb) | Toni Sturgis (Calhoun) |
| Maryann Lorkowski (St. Clair) | Jolene Tobey (Tuscola) |
| Deb Marshall (Genesee) | Ann Walton (Calhoun) |
| Mary Ann McGuire (CMS) | Anne Werner (Kent) |
| Helen McNamara (Ingham) | |

PCG Contract Addendum

- Scope of Services -

I. FFS Project - Phase One

The contract amendment for the FFS rate methodology development will be effective for the period April 2005 through March 2006. During this phase, PCG will

- Complete an analysis of the current Michigan cost reporting mechanisms.
- Determine the availability of data and data sources across various regions throughout the State.
- Recommend the optimal sources of data.
- Determine the required cost elements needed for the fee for service methodology.
- Develop a comparative analysis of multiple methodologies and cost modeling for consideration by the workgroup.
- Prepare an analysis and cost modeling for moving the transportation services from the Fee For Service program to the Administrative Outreach side of the program.
- Calculate rates according to the preferred methodology.
- Document the rate methodology process and procedures.
- Assist with CMS review.

II. FFS Phase One - Cost and Billing to the ISDs

During Phase One of the contract, PCG will develop a new cost-based rate methodology and, after CMS approval, will implement the methodology statewide. The cost for Phase One of the contract will be \$198,574. The contract qualifies for 50% federal matching funds, with the remaining 50% of the cost being shared by MDCH and the ISDs on the usual 60/40 basis.

The ISD portion of \$59,572 will be distributed statewide based on the Fall 2004 pupil count. This contract has been authorized as an amendment to the original PCG Outreach contract and the amount due will be added to the current Administrative Outreach quarterly billing. The supporting documentation received with the billing will separately identify the amount associated with the Administrative Outreach portion of the contract and the amount associated with the FFS portion of the contract cost. The cost for the FFS contract will be billed to the ISD in two equal parts. The first invoice will be sent out in August 2005 to cover the period from April-September 2005.

III. ISD FFS Provider Agreement Addendum

MDCH will send an updated FFS Assurances and Understanding of Compliance Addendum to the Medicaid Provider Agreement for each ISD to sign and return as a requirement for continued participation in the program.

IV. Proposed FFS - Phase Two

Once CMS approves the rate setting methodology and the implementation is complete, the next phase will be the annual cost reconciliation and rate calculation for each ISD. Under this part of the PCG proposal, the estimated cost of the annual reconciliation process would be approximately \$85,000. This amount is eligible for 50% federal matching funds, and the net cost of \$42,500 would be shared with MDCH on the usual 60/40 basis. The ISD share of the costs for this phase would be \$25,500. MDCH and the Workgroup have not yet determined how this process is to be completed, and no decision has been made on the acceptance of the Phase Two proposal.